

From the Mayor

From Recovery to Resilience Long Term Plan 2015–2025

Introduction

The Christchurch City Council's 2015–2025 Long Term Plan (LTP) is intended to provide a stable platform from which our city can once again become self-determining. It will allow us to set a new direction, one which will bring the community back to the fore, and to determine how our city is rebuilt and repositioned for the opportunities and challenges that lie ahead.

This LTP is underpinned by the first independently audited budget the Council has produced since 2009 and the beginning of the 2010 Canterbury Earthquake Sequence.

The audit opinion provided by the Office of the Auditor General signifies the real progress Council has made towards developing a prudent financial strategy that does not depend on guess work and "IOUs".

One of the most significant aspects of this LTP is that it contains no assumptions as to further Crown contributions to the cost of repairing our city's damaged infrastructure. There was an implied expectation in the unaudited Three Year Plan 2013-16 that this would be forthcoming and we have had to face the reality that we cannot rely on that assumption. That doesn't mean we won't be seeking additional support for particular earthquake related damage to our city, but it does mean we cannot budget for it.

Despite the challenges we have had to confront, I am confident this will stand us in good stead in the lead up to the expiry of the Canterbury Earthquake Recovery Act in April 2016 as we prepare

to take back responsibility for the city's long-term recovery and regeneration. In this regard I believe it is important that we focus our attention on revitalising our suburbs, as well as ensuring that we have a vibrant and welcoming central city.

I am equally confident that the revised financial strategy represents an appropriate response to the two resounding messages we heard from those who chose to take part in the LTP consultation process; keeping rates affordable and retaining control of our core infrastructure assets.

After 12 months of interrogating the Council's finances, it is vital that we deliver a budget and work programme that allows us to get on with the job we were elected to do, which is getting the city back on its feet.

For this reason I have not supported the suggestion by some that budget cuts and delays are the best solution to our funding challenges. It goes without saying that we must be rigorous in how and when we spend public money and we are putting processes in place to bring independent scrutiny to our capital programme. But we cannot allow our financial challenges to stand in the way of progress; there are communities that cannot wait. And it is all too evident that any further loss of momentum in the central city will affect confidence and slow things down even more.

Throughout the LTP hearings I have been acutely aware of the different layers of stress that are affecting communities throughout the city. Coming to terms with what has been lost has been very hard, but just as hard has been the sense of having no control over decisions that are being made for us. This was starkly highlighted by the number of submissions on the draft LTP that focused on capital projects for which the Council either has little or no responsibility. However it did highlight people's desire to have a real say about the future.

All this means the Council will need the financial means and flexibility to act decisively as and when required. We have the resources available to do that, but we have to manage this prudently, constantly looking for opportunities to gain greater outcomes for the amounts budgeted for projects, and being mindful of our responsibility to future generations as well.

Key points

The changes we made to the draft LTP were informed by a significant number of submissions, many of which were heard in person. The submissions process is something we will review for future years as I found targeted workshops with interested groups were often more productive in terms of encouraging an exchange of views which helped build understanding both ways.

Many submissions focussed solely on opposition to asset sales, given the fact that we were deeming this consultation to be sufficient to meet the requirements for a sale of all, or any part of, our assets. In retrospect, we could have targeted our consultation to what I considered to be non-strategic assets. This could have enabled people to focus on the fact that the reference to capital release does not only mean the sale of all or part of the equity Council owns in a company.

The retention of our core infrastructure assets, the port, airport and Orion, on the list of strategic assets means any proposal to change any of the current equity arrangements will be subject to a special consultative procedure. This is in line with the overwhelming message that we could not proceed with such a proposal without coming back to consult with the people of Christchurch.

As I have stressed from the outset, this LTP – read in conjunction with the underpinning reports and strategies – represents a "base

case” from which to build. It will be amended as we complete the work to which we have committed over the next 12 months – in particular the review of the capital programme.

Principles and values

The community outcomes that have guided long term planning in Christchurch for many years capture the essence of our values as a city:

- a safe city
- a city of inclusive and diverse communities
- a city of people who value and protect the natural environment
- a well-governed city
- a prosperous city
- a healthy city
- a city for recreation, fun and creativity
- a city of lifelong learning
- an attractive and well-designed city

The earthquakes have not only reinforced the importance of these values, they have also reinforced the need for resilience in our infrastructure and our communities. This is the goal we have set for this Long Term Plan *‘Building Resilience — from Recovery to Regeneration’*.

Partnering with the community

Building resilience requires collaboration. Numerous submissions recognised this and called on the Council to think creatively about its role and functions in order to open the organisation to the

potential gains to be had from working in genuine partnership with the Crown, mana whenua, non-government organisations, community associations and the private sector.

In their submission Te Runanga o Ngāi Tahu expressed a strong desire to work with the Council as kaitiaki on a variety of issues that affect us all, notably cleaning up our rivers and harbours, something we all see as a priority for our city. In the spirit of partnership, I have accepted their offer to also write an introduction to this LTP. This is a first for Christchurch.

Communities across the city have indicated they want to contribute to the wellbeing of our city, both of the people and the environment, from looking after local parks and helping to repair jetties, to inviting the Council to join the Lyttelton Time Bank and then expanding this across the city. The concept of a Neighbourhood Matching Fund, as developed in our sister city of Seattle, received strong endorsement and this is something I want to pursue with other funders as we review our model of community grants later this year.

We believe that by developing genuine partnerships with our communities, as offered for example by Creative Communities, we are presented with a real opportunity to develop a collaborative environment that will ultimately redefine governance of the city. As I have said on more than one occasion, the benefit of working together produces a whole that is greater than the sum of its parts.

With an organisation of the size and complexity of the Council this could be seen as a real challenge, but as is evidenced by the raft of reforms initiated by the Chief Executive Officer, Dr Karleen Edwards and her Executive Leadership Team, it is a challenge I am confident will be embraced.

Keeping rates as affordable as possible

Keeping rates affordable was identified as important by many submitters. The city has a large number of residents on fixed incomes. Almost 15 per cent of Christchurch residents are aged 65+, with almost half of these over the age of 75. We also have to bear in mind the very substantial number of households in suburbs such as Riccarton, Waltham and Linwood; where on average 70 per cent of residents are renting and will feel the knock-on effects of higher rates quicker than anyone else.

The draft Long Term Plan proposed to increase the Council’s revenue from rates by 8.75 per cent, 8.5 per cent, 8.5 per cent 7.5 per cent over the next four years.

This has been reduced to 7.98 per cent, (including the earthquake levy) 7.18 per cent, 6.98 per cent and 5.74 per cent.

Infrastructure levy

As noted above, the 2015/16 year contains the earthquake levy that was established back in 2012 for 5 years.

There was an implicit expectation in the Three Year Plan 2013–16 that additional government funds would be forthcoming for the work remaining to be done to get our underground infrastructure and roads repaired.

The completion of the independent review of the Horizontal Infrastructure spend has not met our expectations for a number of reasons.

It was not clear from the outset what was covered and what was not covered. It would appear that the previous Council and certainly this Council believed that what was damaged would be

¹ Just 4% of submitters to the financial strategy were in favour of the proposed 8.75%, 8.5%, 8.5% increase

restored to its pre-earthquake state, or it would be improved if that could be justified, or if we as a Council funded the betterment under the terms of the Cost Sharing Agreement. It would appear, however, that references to the Ministry of Civil Defence & Emergency Management and NZ Transport Agency funding arrangements in the Cost Sharing Agreements provided for significantly less cover than the Council had assumed.

The reality we are now confronted with is that the Council has to analyse and assess the best repair strategy for what remains over a longer period of time. "Sweating the asset" is a term that means leaving pipes and roads that are not too damaged to remain unrepaired until they come up for renewal in the normal course of events. This can of course have implications for operational expenditure (pipe bursts), which we need to budget for. The complete review of our capital programme will ensure that we get the balance right.

For all these reasons I plan to propose a Horizontal Infrastructure Charge of 1.5% to replace the special earthquake charge when it expires at the end of 2015/2016. Any proposal will be considered as part of the annual planning process. The charge may be necessary to complete the work not covered by the Cost Sharing Agreement, and to ensure that any additional operational expenditure can be met. The charge, if adopted, will not come into force until 2016/17, by which time Council will have undertaken this optimisation exercise based on best available information and expert external advice, so it may be adjusted as better information comes to light.

Less aggressive capital release

A re-profiling of capital expenditure and operational savings to be delivered through the Great for Christchurch programme have allowed for both a lower rates' profile and a less aggressive capital release programme. This allows us to have a much better

understanding of our actual financial position (e.g. insurance recoveries) before additional capital release options need to be considered. This was a theme throughout submissions whether for or against asset sales. This more considered approach has the advantage of ensuring that we gain maximum value when we do make decisions to release capital, and will provide confidence to potential investors or strategic partners.

There were a number of submitters who were opposed to any asset sales, but when asked to describe what was strategic about particular assets, there was a clear difference between those that were natural monopolies and those trading in a competitive environment, which was the basis for changes to the Strategic Assets list.

New Brighton package

There were a number of matters that led to a concerted effort among residents of the wider New Brighton community to seek to be heard in the LTP process. The most notable were the invisibility of the allocation of \$5 million for the hot salt water pools, significant changes in Activity Management Plans that hadn't been referred to the Community Board (which would have been the case at any other time) and the lack of additional funding to operationalise the Suburban Master Plan. This LTP includes an allocation of \$3 million, in addition to the \$5 million already allocated to the New Brighton Legacy Project (hot salt water pools) to activate a New Brighton Regeneration Project to be led by Development Christchurch Ltd.

Balancing investment in recovery, growth and transformation

Another major theme running through the Consultation Document was the need to strike an appropriate balance between investing in the repair of our city's badly damaged infrastructure

(roads, footpaths, and the reticulation networks that transport our potable, waste and storm water), investing in new infrastructure to support growth, and investing in the things that have the potential to transform our city for future generations.

Cycleways

In my view the decision to commit to the major cycleways' network will be recognised as a bold and visionary investment in the city's future. This decision is entirely consistent with the Council's commitment to sustainability and to the community's expressed desire for a more accessible city and better public transport.

Housing

Whether it is a lack of resolution of EQC/Insurance issues or affordability/availability of housing, all the wellbeing surveys highlight the fact that housing remains the main determinant of health status, and that unresolved housing issues are the key drivers of stress and even more significant health issues.

Affordable housing is critical to our city's economic and social regeneration. The Council's role has been traditionally limited to social housing but our extraordinary circumstances demand our attention. I often speak of 'wicked problems' which cannot be solved by individuals or a single organisation working alone. We need to work with other organisations, offering leverage where appropriate, to solve these problems.

The establishment of a Community Housing Provider will enable us to work much more collaboratively with social agencies that are grounded in the wrap-around support that can enhance the lives of our social housing tenants, and give them the ability to explore opportunities they may not have had the chance to do before.

² Share an Idea 2011

Natural hazards

We have significant challenges facing us as a low-lying coastal city that has had to contend with the impacts of the Canterbury Earthquake Sequence. We know that areas are more vulnerable to flooding than they were before the earthquakes and although this has focussed nationwide attention on the Flockton area, the impacts are felt across a significant number of catchments.

The work that we have in front of us is significant and the large amount of capital release left in year three will provide an incoming council with the reassurance that we have the ability to meet the costs of implementing the solutions that will best reduce the risks we face.

Over the past year, I have been acutely aware of the desire of flood-prone communities to become better prepared for flooding, which can strike at any time.

This is why I proposed establishing a “Flood Defence Fund” to be available to flood-affected communities and/or those communities identified by the 2014 Mayoral Taskforce as being vulnerable to flooding. It is envisaged the funding could be distributed and/or managed through Community Boards and that the use of allocated funds be determined in collaboration with civil defence and community governance staff, with expert advice as required from land drainage staff.

Funding to support the Flood Defence Fund (\$750,000 over three years) is in addition to that already allocated to projects within the Land Drainage Recovery Programme.

Transition

The government released a Transition Recovery Plan in early July. This is the first opportunity for Christchurch residents to

express a view about how they see the future of decision-making in the city as far as the next stage of the recovery is concerned.

There has been a clear message from central government that they see themselves stepping back in favour of local leadership. I believe that is a message our communities will endorse. Developing a co-governance approach through the transition will help assure the government and our communities that we as a city are ready to lead once more.

Council began the work of developing what transition would look like earlier this year and we look forward to injecting this into the public discourse about our future as a city. Additional resources are required to assist us with the significant policy and integration work that will be required over the next two years.

Conclusion

This is my first LTP as a Mayor. I have only ever been a submitter before. Sitting on this side of the table has been an enormous privilege. I have found the process challenging at times but I am grateful to all the submitters who took the time to make their views known – whether they appeared in person or not – it is gratifying that so many people wanted to participate. I am sure we can introduce new models of participation that will ensure that we hear from people who may not have found this an easy way to engage.

I may have expressed frustration with the process along the way – the separation of Activity Management Plans from the Capital Programme decisions, the inclusion of matters without community board oversight, the difficulty of planning when there are many unknowns including insurance recoveries, the hearings process – however I believe the Chief Executive and the staff that have supported us have performed beyond the call of duty.

It is extraordinarily difficult to meet obligations under a framework that hasn't been designed for the post-disaster environment we are in. That has been made more difficult by not understanding aspects of the Cost Sharing Agreement until after the completion of a review which came only at the tail end of this process.

One of the “lessons learned” for me is how vital it is to have transparency in all aspects of these planning processes, as well as flexibility to respond to the reality of a post-disaster environment, which as we have seen, is considerably more than the first five years after an event.

For my part I have been determined, ever since we discovered the true state of our financial affairs, that the next group of citizens who stand up to represent our city at the Council table will have a strong foundation upon which to build, in the full knowledge that there are no hidden surprises and that there is a confident and energetic organisation to back up our aspirations as a city for the future.



A handwritten signature in black ink, which appears to read "Lianne Dalziel". The signature is fluid and cursive, with a long horizontal line extending from the end.

Lianne Dalziel
Mayor

Our Partnership with Mana Whenua

The Christchurch City district falls within the takiwā of Ngāi Tahu which extends over 80 per cent of Te Waipounamu. The governing body, Te Rūnanga o Ngāi Tahu was created by virtue of the Te Rūnanga o Ngāi Tahu Act in 1996 to represent Ngāi Tahu whānui for all purposes including protecting and advancing the collective interests and assets of the tribe. Papatipu Rūnanga are the tribal institutions of Ngāi Tahu and are the mandated representatives of whānau and hapū who hold mana whenua.

Within the Council's administrative area there are six papatipu rūnanga; Te Ngāi Tūāhuriri Rūnanga, Te Hapū o Ngāti Wheke (Rāpaki), Te Rūnanga o Koukourārata, Ōnuku Rūnanga, Wairewa Rūnanga and Te Taumutu Rūnanga. Papatipu Rūnanga have a traditional responsibility, as kaitiaki (guardian), to uphold the mana of their people and care for the whenua (land), the sea and natural resources, to keep alive their cultural traditions and stories and to keep the home fires burning within their takiwā [area].

Te Tiriti o Waitangi guarantees mana whenua the right to fulfill their kaitiaki obligations to protect and care for taonga in the environment, including land, waterways and springs, natural features, wāhi tapu and flora and fauna within tribal areas.

Te Ngāi Tūāhuriri Rūnanga, Te Hapū o Ngāti Wheke (Rāpaki), Te Rūnanga o Koukourārata, Ōnuku Rūnanga, Wairewa Rūnanga, Te Taumutu Rūnanga and Te Rūnanga o Ngāi Tahu are working with the Council to develop collaborative relationships and to maintain and improve participation in its decision-making processes.

A strong relationship is essential to the long term future and wellbeing of the people of Christchurch.

Elected members



Back row (from left): Councillor Yani Johanson, Councillor Tim Scandrett, Councillor Raf Manji, Deputy Mayor Vicki Buck, Councillor Paul Lonsdale, Councillor Ali Jones, Councillor David East
Front row (from left): Councillor Andrew Turner, Councillor Pauline Cotter, Councillor Phil Clearwater, Mayor Lianne Dalziel, Councillor Jamie Gough, Councillor Glenn Livingstone, Councillor Jimmy Chen

To the reader:

Independent auditor's report on Christchurch City Council's 2015-25 Long-Term Plan

I am the Auditor-General's appointed auditor for Christchurch City Council (the Council). Section 94 of the Local Government Act 2002 (the Act) requires an audit report on the Council's 2015-25 long-term plan (the plan). I have carried out this audit using the staff and resources of Audit New Zealand. I completed the audit on 26 June 2015.

Every three years a local authority is required to prepare a long-term plan. Due to the significant damage caused by the series of earthquakes from 2010 and the resulting uncertainties over the extent of the damage and the estimated cost of the rebuild, the Council faces unique circumstances in which to prepare its plan.

Opinion

In my opinion, and recognising the unique circumstances facing the Council:

- the plan provides a reasonable basis for:
 - long-term, integrated decision-making and coordination of the Council's resources; and
 - accountability of the Council to the community;
- the disclosures on pages 19 to 31 of Volume 1 represent a complete list of the disclosures required by Part 2 of the Local Government (Financial Reporting and Prudence) Regulations 2014 and accurately reflect the information drawn from the Council's audited information;

- except for property, plant and equipment assets (the assets), where the Council:
- does not have the necessary underlying asset information; and
- is unable to comply with generally accepted accounting practice in the valuation of its assets damaged by the earthquakes;

the information and assumptions underlying the forecast information in the plan are reasonable.

Assumptions and underlying information relating to assets, on which the plan is based

Without further modifying my opinion, I draw your attention to the assumptions and underlying information relating to assets, on which the plan is based.

The Council's plan has been prepared using the best information that it currently has available, and is based on a number of significant assumptions. In the plan the Council recognises that there remains a high level of uncertainty about the estimated costs to repair and rebuild the Council's assets.

The Council has explained in its financial strategy that the plan is dependent on several interrelated factors, including:

- the Council's projected capital programme, including \$1,972 million of capital expenditure which is planned to be delivered during the first two years of the plan;
- the sale of part of the Council's investment portfolio; and
- the realisation of \$178 million of planned savings over the period of the plan.



The Council has set out on pages 239 to 249 of Volume 1 of the plan the significant forecasting assumptions it has used in the preparation of the plan. These assumptions have been adopted by the Council in the knowledge that the Council continues to refine its estimates of the projected capital programme and the cost to repair earthquake related asset damage, the timing of these repairs and the associated funding sources.

The Council has explained the cumulative uncertainties that it faces which may result in it amending this plan in line with changing circumstances, impacting the timing and the way in which Christchurch City is rebuilt.

In drawing your attention to these issues, I am not commenting on the merits of the policy content that they reflect. I consider the disclosures in the plan to be adequate.

This opinion does not provide assurance that the forecasts in the plan will be achieved, because events do not always occur as expected and variations may be material. Nor does it guarantee complete accuracy of the information in the plan.

Basis of Opinion

I carried out my work in accordance with the Auditor-General's Auditing Standards, the International Standard on Assurance Engagements (New Zealand) 3000 (Revised): Assurance Engagements Other Than Audits or Reviews of Historical Information, the International Standard on Assurance Engagements 3400: The Examination of Prospective Financial Information, and the ethical requirements in those standards.

I assessed the evidence the Council has to support the information and disclosures in the plan and the application of its

policies and strategies to the forecast information in the plan. To select appropriate audit procedures, I assessed the risk of material misstatement and the Council's systems and processes applying to the preparation of the plan.

My audit procedures included assessing whether:

- the Council's financial strategy, and the associated financial policies, support prudent financial management by the Council;
- the Council's infrastructure strategy identifies the significant infrastructure issues that the Council is likely to face over the next 30 years;
- the information in the plan is based on materially complete and reliable asset and activity information;
- the Council's key plans and policies have been consistently applied in the development of the forecast information;
- the assumptions set out within the plan are based on the best information currently available to the Council and provide a reasonable and supportable basis for the preparation of the forecast information;
- the forecast financial information has been properly prepared on the basis of the underlying information and the assumptions adopted and complies with generally accepted accounting practice in New Zealand;
- the rationale for the Council's activities is clearly presented and agreed levels of service are reflected throughout the plan;

- the levels of service and performance measures are reasonable estimates and reflect the main aspects of the Council's intended service delivery and performance; and
- the relationship between the levels of service, performance measures and forecast financial information has been adequately explained within the plan.

I did not evaluate the security and controls over the electronic publication of the plan.

Responsibilities of the Council and Auditor

The Council is responsible for:

- meeting all legal requirements affecting its procedures, decisions, consultation, disclosures and other actions relating to the preparation of the plan;
- presenting forecast financial information in accordance with generally accepted accounting practice in New Zealand; and
- having systems and processes in place to enable the preparation of a plan that is free from material misstatement.

The Council is also responsible for the publication of the plan, whether in printed or electronic form.

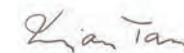
I am responsible for expressing an independent opinion on aspects of the plan, as required by sections 94 and 259C of the Act. I do not express an opinion on the merits of the plan's policy content.

Independence

I have followed the independence requirements of the Auditor-General, which incorporate those of the External Reporting Board.

In addition to this audit, I reported on the Council's consultation document, reported on the statutory annual report, provided a report to the Council's debenture trustee, and completed audit and assurance engagements for subsidiary companies in compliance with regulatory requirements. These engagements are compatible with those independence requirements.

Other than this audit and these engagements, I have no relationship with or interests in the Council or any of its subsidiaries.



Julian Tan, Audit New Zealand. On behalf of the Auditor-General Christchurch, New Zealand